



# Ulster Petroleums Ltd.

## Annual Report 1972



#### **DIRECTORS, OFFICERS & SENIOR PERSONNEL**

Hugh M. Considine	Chairman of the Board and Director
Edward P. Kenney	President and Director
Charles P. Burnett III	Director
Robert R. Walker	Director
Francis J. O'Shea	Vice President, Production and Engineering
Frederick H. Ramsay	Secretary Treasurer
Murray L. Larson	Chief Geologist
Robert A. Hayes	Chief Landman

In April 1972, Mr. W. R. Boswell tendered his resignation as a Director of the Company due to other business interests. The Board of Directors wish to express their grateful acknowledgment of the many contributions made by Mr. Boswell to the Company over the past several years.

In March 1973, Mr. Charles P. Burnett III was appointed a Director of the Company.

#### **ANNUAL MEETING**

The Annual General Meeting of the Shareholders of the Company will be held at the Calgary Inn, Calgary, Alberta, on April 19th, 1973 at 2:00 o'clock in the afternoon.

A formal notice of meeting and proxy form are enclosed with this report.

## ULSTER PETROLEUMS LTD.

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# Notice of Annual General Meeting of the Shareholders

April 7, 1972

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NOTICE is hereby given that the Annual General Meeting of the shareholders of Ulster Petroleums Ltd. (the "Company") will be held in the Lake Louise Room of the Calgary Inn, 4th Avenue and 3rd Street S.W., Calgary, Alberta, on Friday, April 7, 1972 at 2:00 o'clock in the afternoon (Calgary time) for the following purposes:

1. To receive the Annual Report of the directors and the financial statements of the Company and the Auditors' Report thereon for the fiscal year ended December 31, 1971;
2. To elect directors for the ensuing year;
3. To appoint auditors for the ensuing year;
4. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on March 1st, 1972 will be entitled to receive notice of and to vote at the meeting and at any adjournment thereof.

Shareholders who do not expect to attend the meeting in person are urged to fill in, sign, date and return the enclosed proxy in the enclosed envelope. The proxy must be deposited with the Company in care of its agent, Canada Trust Company at the latter's branch office at 528 - 8 Avenue S.W., Calgary 2, Alberta, not less than 24 hours before the time for holding the meeting.

DATED at Calgary, Alberta, March 1, 1972.

BY ORDER OF THE BOARD

F. H. Ramsay  
Secretary-Treasurer



## ULSTER PETROLEUMS LTD.

### Information Circular and Proxy Statement

This information circular and proxy statement is furnished in connection with the solicitation of proxies for use at the Annual General Meeting of the Shareholders of Ulster Petroleums Ltd. to be held on Friday, April 7th, 1972, at 2:00 o'clock in the afternoon (Calgary time).

The enclosed proxy is solicited by the management of the Company. A shareholder giving a proxy has power to revoke it at any time before it is voted.

Only shareholders of record at the close of business on March 1, 1972, will be entitled to receive notice of and to vote at the meeting and at any adjournment thereof. Each shareholder is entitled to as many votes as he holds shares. Not less than three shareholders representing in person or by proxy at least 10% of the outstanding shares of the Company in respect of which the holders thereof are entitled to vote constitute a quorum at meetings of shareholders. As of March 1, 1972, of the 8,000,000 authorized shares, without nominal or par value, in the capital stock of the Company 5,304,675 shares had been issued and are outstanding. The Company has no other classes of shares.

The cost of solicitation of proxies will be borne by the Company. Solicitation will be made initially by mail. The directors, officers and employees of the Company may, without compensation other than regular compensation, solicit proxies by telephone, telegraph or personal interview. The Company will reimburse brokerage firms, banks, trustees, nominees and other persons for their out-of-pocket expenses in forwarding proxy material to the beneficial owners of shares of the Company.

As of March 1, 1972, the following is the only person who owned of record more than 10% of the voting securities of the Company:

<u>Name and Address</u>	<u>Title of Class</u>	<u>Type of Ownership</u>	<u>Amount Owned</u>	<u>Percent of Class</u>
<b>RICHARDSON SECURITIES</b> OF CANADA Executive Offices Winnipeg, Manitoba Canada	Common shares without nominal or par value	Of Record Only	656,938	12.4%

#### ELECTION OF DIRECTORS

Four directors are to be elected at the meeting to serve until the next Annual Meeting or until their respective successors have been elected. Messrs. Hugh M. Considine and Edward P. Kenney, two of the nominees for election as directors, are the Chairman of the Board and the President of the Company respectively. The following information is submitted with respect to the nominees for election as directors:

<u>Name and Principal Occupation</u>	<u>Became a Director</u>	<u>Shares Beneficially Owned as at March 1, 1972</u>	<u>(1)</u>
<b>WILLIAM R. BOSWELL</b> , President of Seneca Resources Ltd. Engaged in the development of Natural Resources, including oil and gas	1970	110,400	(2)
<b>HUGH M. CONSIDINE</b> , Chairman of the Board of the Company	1970	120,209	
<b>EDWARD P. KENNEY</b> , President of the Company	1970	100,700	
<b>ROBERT R. WALKER</b> , President of Campbell Investment Corporation. A private investment corporation.	1970	99,163	

(1) The information as to shares owned by each nominee, not being within the knowledge of the Company, has been furnished by such nominee.

(2) Mr. William R. Boswell is a director and officer of Seneca Resources Ltd. which, as of March 1, 1972, was the beneficial owner of 46,975 shares of the Company. As of March 1, 1972, Mr. Boswell was the owner of 8% of the issued shares of the said company.

William R. Boswell was President of Abidonne Oils Ltd. between November 1966 and January 1970 at which time Abidonne Oils Ltd. merged with Ulster Petroleums Ltd. From January 1970 until October 1971 Mr. Boswell was President of Ulster Petroleums Ltd. and since October 1971 has been President of Seneca Resources Ltd.



Hugh M. Considine has been a Director of Ulster and its predecessor companies from June 1968 until the present. Between August 1960 and December 1971 Mr. Considine was a partner in the firm of McDonald, Considine & McDonald, Barristers and Solicitors, Calgary, Alberta, Canada, which has performed legal services for the Company. In January 1972 Mr. Considine became an inactive partner in the firm of McDonald, Considine & McDonald, and continues as Chairman of the Board of Ulster Petroleum Ltd.

Edward P. Kenney has been a Director of Ulster Petroleum Ltd. and its predecessor since 1964. Mr. Kenney became President of the Company in October 1971 and was a Vice-President since 1964.

Robert R. Walker has been a private investment banker in Seattle, Washington for more than five years, with diversified holdings. He is President of Campbell Investment Company and Walker Land and Livestock Company. Mr. Walker was a Director of Abidonne Oils Ltd. from October 1968 to the time of its merger with Ulster Petroleum Ltd. in January 1970 and has continued to be a Director of the Company since that date.

#### **REMUNERATION AND OTHER TRANSACTIONS WITH MANAGEMENT AND OTHERS**

The aggregate direct remuneration accrued or paid by the Company and its subsidiaries during the fiscal year ended December 31, 1971, to the 8 persons as a group who were directors and/or officers of the Company was \$89,410.00. The Company does not pay directors' fees.

The following table shows the amount set aside during the last fiscal year under the Company's Pension Plan, which is not available to directors as such, on behalf of officers and the estimated annual benefits to such persons upon retirement.

<u>No. of Persons in Group</u>	<u>Amount Set Aside</u>	<u>Annual Benefits</u>
2	\$3,000	It is impracticable to estimate future benefits under the Plan. The aggregate amount set aside to date is \$8,250. The Plan is a "Money Purchase Plan" under which Directors as employees may contribute up to \$1,500 per year with the Company contributing an equal amount. Participants earn a 50% interest in the Company's contributions after 5 years' employment and an additional 10% in each of the five ensuing years.

As of March 1, 1972, all officers and directors as a group held options to purchase 60,000 shares without nominal or par value of the Company at an average option price of \$2.20 per share.

The remuneration reported above for the directors and officers of the Company does not include legal fees of \$11,076.41 for services rendered in 1971 paid by the Company to the Firm of McDonald, Considine & McDonald, of which Mr. H. M. Considine, a director of the Company and Chairman of the Board, was a partner during 1971.

#### **AUDITORS**

The shareholders will be asked to vote for the appointment of Messrs. Collins, Love, Eddis, Valiquette and Barrow, Calgary, Alberta, as Auditors of the Company for its financial year 1972. Such firm was first appointed Auditors of the Company on January 12, 1970.

#### **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The management of the Company does not propose to present any other matters for action at this Annual Meeting and has not been informed that other persons intend to present any matters for action at the Meeting. If any other matters should properly come before the Meeting, however, it is intended that votes will be cast pursuant to the proxies hereby solicited in respect of such other matters in accordance with the best judgment of the persons named in the enclosed form of proxy.

#### **EFFECTIVE DATE**

The information given in this circular is given as of March 1, 1972.

Dated at Calgary, Alberta, Canada, this 1st day of March, 1972.

**BY ORDER OF THE BOARD**

F. H. Ramsay  
Secretary-Treasurer





## Directors' Report to the Shareholders

The Directors Report for 1972, together with Audited Consolidated Financial Statements for the year ending December 31st, 1972, are presented herewith.

Several encouraging events in the past few months have, in the opinion of your Directors, created a much broader perspective for the Company's future prospects.

1. Compression facilities were installed and production studies successfully carried out in the Medicine Hat gas field during 1972 and as a result daily production was increased early in 1973 to approximately 5 MMCF per day from a daily average of 1.4 MMCF during 1972. This increased production is being obtained from 14 wells. The Company also has 16 wells which are currently shut-in and, based on 320-acre spacing, sufficient gas lease rights to drill an additional 35 to 40 wells. Following upon these improved results from the Medicine Hat area, Ulster entered into a gas sales contract with Pan-Alberta Gas Ltd. late in 1972 for the sale of 12.6 MMCF per day (with a maximum of 15.75 MMCF per day) commencing in 1974 for a period of five years. The sale price is 38¢ per MCF in the first year, escalating 1¢ per year thereafter. Gross income to Ulster over the five-year term would approximate \$9,000,000.00. The Pan-Alberta contract is conditional upon that Company acquiring the necessary export licenses. Should the licenses be delayed or refused, your Company expects to sell a minimum of 10 MMCF per day at a minimum price of 27¢ per MCF, commencing in 1974. Since we were receiving 13.25¢ per MCF in 1972 for gas, the significance of these volumes and price increases is obvious. Much publicity and rhetoric has recently been directed to our industry, with particular reference to the export of our natural resources to the benefit of multi-national corporations. The proposed Pan-Alberta export of gas, which is presently surplus to Alberta's needs and will be replaced by Arctic gas, would result in Ulster and other independent Canadian companies receiving the fair market price for their gas and enable such companies to continue the search for much needed additional reserves.

2. Primary reserves in the Plato oil field were essentially depleted in 1972 with a result of loss in revenue. However, the secondary recovery waterflood program has now commenced under the operation of Atlantic Richfield. Ulster owns a 32.8888% interest in the Plato unit containing 48 producing and injection wells. The results of the waterflood should be evident during the summer of 1973 and, in our opinion, should initially result in oil production being increased by approximately 100 barrels per day.



3. The Company owns a mining property at Contact Lake, N.W.T., which has proven ore and tailings of 16,000 tons, grading 46 oz/ton silver, 5 lbs/ton uranium and 30 lbs/ton copper. The increase in silver prices over the last year has enhanced the value of this asset and the Company will be conducting feasibility studies on this property in the near future.

4. An appraisal of Ulster's recoverable reserves of oil and gas was made by J. C. Sproule and Associates Ltd. as of January 1st, 1973. This report indicates undiscounted net revenue of \$12,912,208.00 with a present worth discounted at 8% of \$6,640,200.00. The undiscounted net revenue is made up of \$11,528,100.00 for proven reserves and \$1,384,100.00 of probable additional value for Medicine Hat gas reserves, predicated upon gas sales to Pan-Alberta Gas Ltd. The present worth, discounted at 8%, for proven and probable reserves and probable additional value, is \$4,730,400.00, \$316,000.00, and \$1,593,800.00 respectively. Based upon the Company's expectation of gas sales in the event export is delayed or disallowed, the undiscounted net revenue would amount to \$11,528,100.00 with a discounted present worth of \$5,046,400.00.

James A. Lewis Engineering Co. Ltd. were commissioned to evaluate the undeveloped properties (equivalent to 3,985,945 net acres) as at January 31st, 1973. This report indicates the present worth of these properties as \$9,359,700.00, or \$2.34 per net acre, which your Directors consider a conservative figure. Based upon these reports, the present worth value of the Company is as follows:

	If Gas Sale to Pan-Alberta is Approved	If Gas Sale to Pan-Alberta is Delayed or Disallowed
Recoverable Reserves, proven and probable (discounted 8%) . . .	\$ 6,640,200.00	\$ 5,046,400.00
Undeveloped Properties (3,985,945 net acres)	\$ 9,359,700.00	\$ 9,359,700.00
Working Capital . . . . .	\$ 761,668.00	\$ 761,668.00
Depreciated Value of Plant and Production Equipment . . . . .	\$ 307,444.00	\$ 307,444.00
Contact Lake Proven Ore (discounted 8%) .	\$ 500,000.00	\$ 500,000.00
	<u>\$17,569,012.00</u>	<u>\$15,975,212.00</u>

Each of the above-mentioned reports is available for examination at the Company's office by interested shareholders.

5. Essentially all of Ulster's Arctic acreage totaling 2,459,549 gross acres (938,938 net acres) has been farmed out during the past year with limited exploration expenditures required by Ulster until 1975. We have thus retained an interest in most of our Arctic properties while offsetting the heavy costs of exploration.

6. Ulster has acquired working interests in the North Sea and Queensland, Australia, details of which are contained elsewhere in this report.

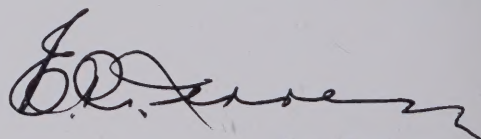
7. In January, 1973, the Company farmed out its onshore properties in Southern England to a private British company. Under the agreement, a deep test will be drilled at a location near Eastbourne, Sussex, in June 1973. Ulster will retain a 50% interest in the well and licenses.

8. General and Administrative expenses have been reduced by \$110,000.00 over the past year and efforts are continuing to maintain responsible control in these areas.

The Directors are pleased to welcome Mr. Charles P. Burnett III to the Board. Mr. Burnett brings to the Company a wide experience in banking and corporate management.

Your Directors feel that the Company is on the threshold of significant growth over the next few years.

Respectfully submitted on  
behalf of the Board

  
President



## Operations

### Production and Reserves

Production of crude oil averaged 166 bbls./day during 1972 compared to 239 bbls./day during 1971. The continued depletion of primary reserves in the Plato field in Saskatchewan was the principal cause of this production rate decline. Full-scale water injection got underway during February 1973 and initial response is expected by August 1973 with an appreciable increase in oil producing rates. Oil prices were increased 20¢ per barrel in January 1973 and further price increases are anticipated during the next several years.

Natural gas production from the Medicine Hat gas field averaged 1.4 million cubic feet per day during 1972 compared to 2.0 million cubic feet per day during 1971. The delivery of gas compressors to this field was delayed beyond quoted dates and as a result, increases in gas producing rates were not experienced until early 1973. During February 1973 gas production from Medicine Hat reached 5 million cubic feet per day. The provincial government is pressing vigorously for substantial increases in price in order to bring Alberta wellhead prices nearer to prevailing continental and world market prices. It is expected that such increases will come into effect in the near future. Coupled with such an increase, will be an increase in provincial royalty rates. Our gas reserves in Medicine Hat are subject to a conditional five-year contract only and consequently we are in a position to take maximum advantage of expected price increases.

Independent appraisals of the Company's present proven and probable recoverable crude oil and natural gas reserves as at January 1st, 1973, establish the following:

Proven Oil . . . . .	535,000 barrels
Probable Oil . . . . .	144,100 barrels
Proven Gas . . . . .	42.773 billion cubic feet
Probable Gas . . . . .	4.665 billion cubic feet

### Exploration and Development

During 1972, the Company participated in the drilling of 7 wells resulting in 2 gas and 1 oil completion. An additional gas well was drilled at no cost to Ulster on property in which the Company has an interest and 3 gas wells were drilled on lands in which Ulster holds a gross overriding royalty.

During the year, 195 miles of reconnaissance seismic was shot on the Company's offshore Baffin permit block and 67 miles of seismic was completed

by Ulster and its partners on our Adriatic Concessions. 124 miles of seismic was shot or purchased at Claresholm, Alberta, in which Ulster holds a 5% working interest and 10 miles of seismic was completed near Reading, England.

Drilling plans for 1973 include a deep test in Southern England and additional development drilling in the Medicine Hat, Claresholm and Drumheller areas. The drilling of other Ulster properties in Alberta is currently being negotiated with other Companies.

Seismic programs will be carried out on the Company's properties in Australia and the North Sea during 1973.

### Exploratory Properties

The Company on December 31st, 1972, held 12,580,071 gross acres and 4,478,584 net acres in Canada, United Kingdom, the United States, Australia, Guyana and Italy. In addition, 687,711 gross acres containing 388,712 net acres have been applied for in the United States and the United Kingdom.

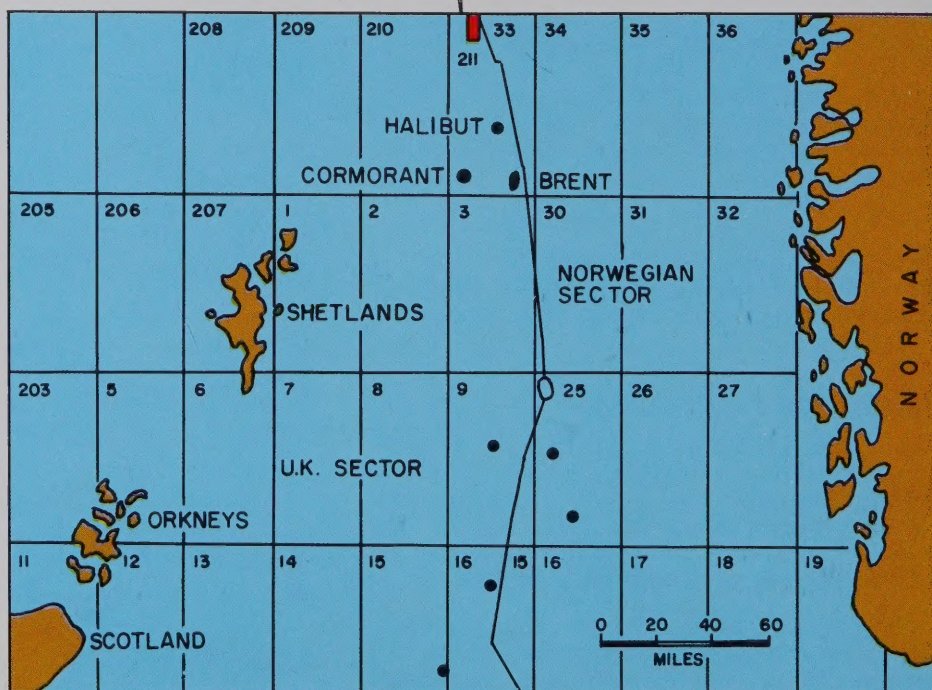
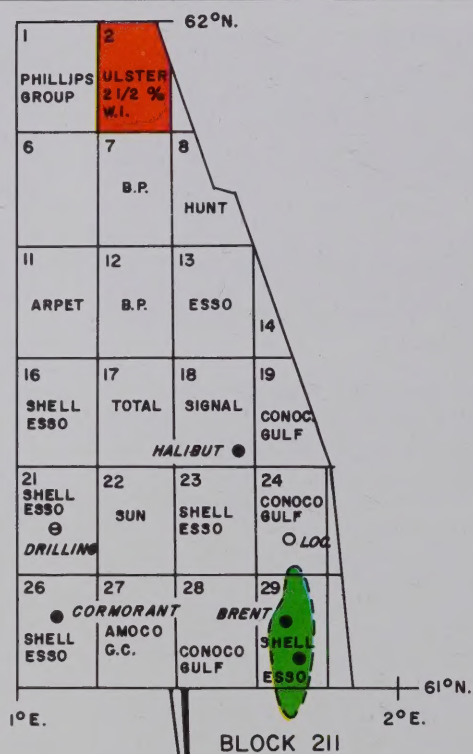
#### Total Acreages by Areas as of December 31, 1972

	Gross	Net
CANADA:		
Alberta . . . . .	112,647	42,541
Saskatchewan . . . . .	10,711	7,047
British Columbia . . . . .	1,331	851
Ontario . . . . .	850	97
East Coast (Permits) . . . . .	732,901	343,463
Hudson Bay (Permits) . . . . .	115,980	115,980
Baffin (Permits) . . . . .	544,159	81,624
N.W.T. (Permits) . . . . .	407,129	47,215
Arctic (Permits) . . . . .	1,767,671	938,938
Mining Properties — N.W.T. . . . .	1,800	1,800
— W. Ont. . . . .	3,400	340
Royalties (1% - 5%) . . . . .	882,603	—
TOTAL . . . . .	4,581,182	1,579,896
FOREIGN:		
United States (Leases) . . . . .	23,894	10,812
(Lease Applications) . . . . .	346,461	47,462
Italy - Adriatic . . . . .	72,353	7,235
United Kingdom (Onshore) . . . . .	1,401,327	1,363,932
(Onshore Applications) . . . . .	341,250	341,250
North Sea . . . . .	37,955	949
South America - Guyana (Offshore) . . . . .	533,760	33,360
Australia - Queensland . . . . .	5,929,600	1,482,400
	8,686,600	3,287,400
TOTAL . . . . .	13,267,782	4,867,296



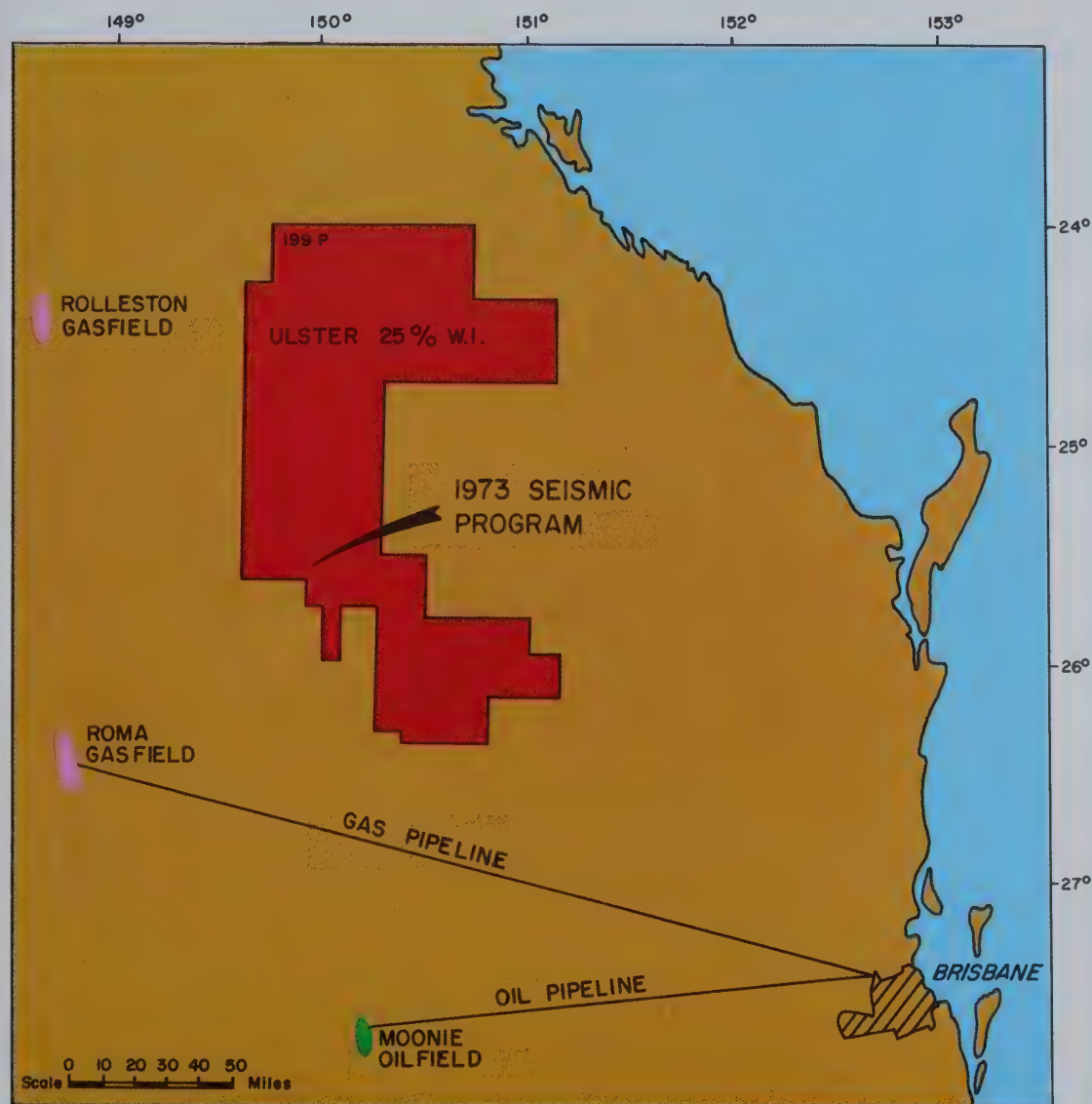
# North Sea

The Company has acquired a 2½% working interest in Block 211/2 by the purchase of shares in Enjay Holdings Ltd., who is Licencee of the Block. Seismic evaluations will be conducted in the spring of 1973.





## Queensland, Australia



Ulster Petroleum Ltd. have acquired an undivided 25% working interest in a six million acre concession in Queensland, Australia. The Block is located approximately 50 miles north-east of the Roma Gas Field and approximately 80 miles north of the Moonie Oil Field. A seismic program will be undertaken on the lands in the spring of 1973.





## Financial

Revenue from the sale of oil and gas, less royalties, during 1972 totalled \$196,600.00 compared to \$296,877.00 in 1971. The decrease reflects the depletion of primary reserves in the Plato oil field of Saskatchewan. Revenue from this field will increase due to secondary recovery and oil price increases in 1973 as stated elsewhere under the heading 'Production and Reserves'. There was also a reduction in gas sales due mainly to producing wells in the Medicine Hat field being shut in during extensive compression studies carried out during the year. Improved results from this field are already apparent in 1973 as more fully stated under the heading 'Production and Reserves'.

Expenses for the year totalled \$445,507.00 against \$592,811.00 in 1971. This is mainly due to the reduction in administrative costs from \$265,114.00

to \$154,668.00 and reflects the first full year's reduction resulting from the re-organizing and streamlining of the Company's administrative structure commenced in 1971 and continued during 1972.

The net loss for the year amounted to \$258,765.00 compared to \$254,403.00 in 1971, or approximately five cents per share in both years.

At the end of the year the Company's working capital was \$761,668.00 as compared to \$1,119,403.00 at the end of 1971. The reduction in working capital resulted mainly from drilling costs in Southern England, Claresholm and Drumheller; the waterflood program at Plato, compression studies at Medicine Hat and land acquisitions in Australia and the North Sea.

The Company has no long term debt.

## Auditors' Report

To the Shareholders  
Ulster Petroleums Ltd.

We have examined the consolidated balance sheet of Ulster Petroleums Ltd. and its subsidiaries as at December 31, 1972 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination of the financial statements of Ulster Petroleums Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of other subsidiaries.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW

Chartered Accountants

Calgary, Alberta  
February 15, 1973



**Ulster  
Petroleum  
Ltd.**  
and subsidiary companies

**Consolidated Statement of Income** YEAR ENDED DECEMBER 31, 1972

	<u>1972</u>	<u>1971</u>
Income		
Oil and gas sales, less royalties . . . . .	\$ 196,600	\$ 296,877
Interest . . . . .	50,362	46,225
Sale of leases and permits . . . . .	9,288	8,390
Other . . . . .	—	4,781
	<u>256,250</u>	<u>356,273</u>
Expenses		
Production costs . . . . .	120,874	132,532
General and administrative . . . . .	154,668	265,114
Lease rentals . . . . .	13,160	10,474
Depreciation and depletion . . . . .	156,805	184,691
	<u>445,507</u>	<u>592,811</u>
Income (loss) before extraordinary item . . . . .	(189,257)	(236,538)
Loss on disposal of investments . . . . .	69,508	17,865
Net income (loss) for the year . . . . .	<u>\$ (258,765)</u>	<u>\$ (254,403)</u>
Earnings (loss) per share		
Income (loss) before extraordinary item . . . . .	<u>\$ (.04)</u>	<u>\$ (.05)</u>
Net income (loss) for the year . . . . .	<u>\$ (.05)</u>	<u>\$ (.05)</u>

**Consolidated Statement of Deficit** YEAR ENDED DECEMBER 31, 1972

	<u>1972</u>	<u>1971</u>
Deficit, beginning of year . . . . .	\$1,218,322	\$ 963,919
Net loss for the year . . . . .	258,765	254,403
Deficit, end of year . . . . .	<u>\$1,477,087</u>	<u>\$1,218,322</u>

(see accompanying notes)

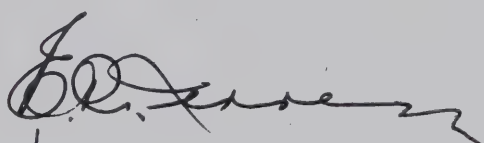


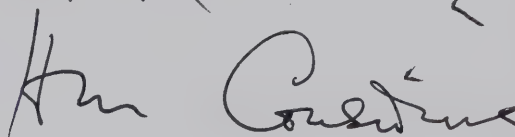
**Ulster  
Petroleum  
Ltd.**  
and subsidiary companies

**Consolidated Balance Sheet** DECEMBER 31, 1972

	<u>1972</u>	<u>1971</u>
<b>ASSETS</b>		
Current assets		
Cash . . . . .	\$ 7,737	\$ 85,866
Time deposit receipts . . . . .	785,970	1,046,250
Accounts receivable . . . . .	65,092	89,130
Prepaid expenses . . . . .	2,232	2,583
	<u>861,031</u>	<u>1,223,829</u>
Investments and other assets, at cost . . . . .	124,422	169,617
Property, plant and equipment (notes 2 and 3) . . . . .	<u>4,634,517</u>	<u>4,490,352</u>
	<u>\$5,619,970</u>	<u>\$5,883,798</u>

Approved on behalf of the Board,

 Director

 Director



	<u>1972</u>	<u>1971</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities . . . . .	\$ 99,363	\$ 104,426
Due under agreement to acquire Alaska leases (\$163,743 U.S.) (note 4) . . . . .	176,219	176,219
Deferred income taxes (note 1) . . . . .	30,000	30,000
 <b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 6)		
Authorized		
8,000,000 shares of no par value		
Issued		
5,304,675 . . . . .	6,791,475	6,791,475
Deficit . . . . .	(1,477,087)	(1,218,322)
	<u>5,314,388</u>	<u>5,573,153</u>
	<u>\$5,619,970</u>	<u>\$5,883,798</u>

(see accompanying notes)



# Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1972

	<u>1972</u>	<u>1971</u>
Source of funds		
Proceeds from sale of property and equipment . . . . .	\$ 365,436	\$ 391,466
Proceeds from sale of investments and other assets . . . . .	<u>32,507</u>	<u>79,209</u>
Total source of funds . . . . .	<u>397,943</u>	<u>470,675</u>
Application of funds		
Current operations		
Loss for the year . . . . .	258,765	254,403
Depreciation and depletion . . . . .	(156,805)	(184,691)
Loss on disposal of investments . . . . .	<u>(69,508)</u>	<u>(17,865)</u>
Loss of funds from operations . . . . .	32,452	51,847
Purchase of property, plant and equipment . . . . .	666,390	521,587
Purchase of investments . . . . .	<u>56,836</u>	<u>—</u>
Total application of funds . . . . .	<u>755,678</u>	<u>573,434</u>
Decrease in working capital . . . . .	(357,735)	(102,759)
Working capital, beginning of year . . . . .	<u>1,119,403</u>	<u>1,222,162</u>
Working capital, end of year . . . . .	<u>\$ 761,668</u>	<u>\$1,119,403</u>

(see accompanying notes)

# Notes to Consolidated Financial Statements

DECEMBER 31, 1972

## 1. Principles of consolidation

The consolidated financial statements of the company include the accounts of Ulster Petroleums Ltd. and all subsidiary companies. The excess of the purchase price of shares of subsidiary companies over their underlying book value has always been added to the "property, plant and equipment" account with the exception that in one case a provision for future income taxes of \$30,000 was recorded. Intercompany accounts and transactions have been eliminated in consolidation.

## 2. Accounting policy

The company follows the full cost method of accounting for its Canadian operations. Under this concept all costs, including a portion of administrative expenses, relating to the exploration for and development of oil, gas and mineral reserves are capitalized. Proceeds on disposal of properties are ordinarily deducted from costs without recognition of profit or loss.

Costs associated with Canadian operations are depleted using the unit of production method based on estimated recoverable Canadian reserves. Depletion on costs associated with operations in foreign countries will be based upon production from related reserves as and when discovered.

Depreciation of well and other equipment is computed on the diminishing balance basis at a rate of 20% per annum.

## 3. Property, plant and equipment

The following is a summary of the cost of property, plant and equipment and related accumulated depletion and depreciation as at December 31, 1972:

	Cost of Assets	Accumulated Depletion and Depreciation	Net
Petroleum and natural gas leases and rights, including exploration and development			
— Canada . . . . .	\$2,835,756	\$293,887	\$2,541,869
— United States . . . . .	973,375	—	973,375
— United Kingdom . . . . .	263,495	—	263,495
— Australia . . . . .	41,156	—	41,156
Mining properties including preproduction and exploration costs . . . . .	507,178	—	507,178
Production equipment . . . . .	462,605	180,125	282,480
Other equipment . . . . .	62,020	37,056	24,964
	<u>\$5,145,585</u>	<u>\$511,068</u>	<u>\$4,634,517</u>



#### **4. Due under agreement to acquire Alaska leases**

In 1968 a subsidiary paid \$130,234 in order to acquire an interest in certain oil and gas lease applications (preferential filings) in the State of Alaska. The oil and gas leases have not been issued pending settlement of a native claim rights to the properties. The balance owing on the acquisition of these rights (\$176,219) will be paid when and if such leases are issued to the company.

#### **5. Commitments and guarantees**

The companies are committed for work performance on certain oil and gas exploratory and prospecting permits in the amount of \$158,127. These commitments are secured by bank guarantees.

#### **6. Capital stock**

The company has reserved 200,000 shares of its capital stock for issuance under an employees stock option plan. Stock options outstanding at December 31, 1972 totalled 90,000 shares at \$2.20 per share exercisable in the period 1972 to 1979. Upon exercise of the options, the proceeds are credited to the capital stock account.

#### **7. Executive remuneration**

The total remuneration paid to directors and senior officers of the company amounted to \$59,825.

**AUDITORS**

Collins, Love, Eddis, Valiquette & Barrow  
Calgary, Alberta

**BANKERS**

Bank of Montreal  
Calgary, Alberta  
The Toronto-Dominion Bank  
Calgary, Alberta

**REGISTRARS AND TRANSFER AGENTS**

The Canada Trust Company  
Calgary, Vancouver, Winnipeg, Toronto and Montreal  
Security Pacific National Bank  
Los Angeles, California, U.S.A.

**STOCK EXCHANGE LISTING**

Listed on the Toronto and Vancouver  
Stock Exchanges and the Pacific Coast Exchange,  
Los Angeles and San Francisco, California,  
U.S.A.

**SUBSIDIARY COMPANIES**

Ulster Oil Enterprises Ltd.  
United States:  
Ulster Petroleums Inc.  
United Kingdom:  
Ulster Petroleums (Canada) Limited  
Australia:  
Parthenon Petroleums Ltd.



**Ulster Petroleums Ltd.**